

Affinity Water

# Certificates of compliance

For the year ended 31 March 2023

Affinity Water Limited  
[Registered Number 02546950]



# Statement on direction and performance



In this regulatory period, we are committed to meeting challenging performance outcomes and we recognise the importance of meeting these. These commitments relate to the significant long-term environmental, social and governance challenges we face from rising population and increased demand for water, as well as reduction in the availability of water in the years ahead. We recognise how crucial our business activities are to the wider environment and understand the need to deliver more for the environment and our customers, for an affordable price. We know we can adjust rapidly and transform our ways of working and we have continued this transformation this year, for example through our 'Journey to 2025' plans.

As a Board, we spend a significant amount of time aligning our company's direction with customers, employees and wider stakeholders' interests. Our Section 172 statement on pages 100 to 107 of our Annual Report and Financial Statements 2022/23 shows how we have engaged with our key stakeholders to make key decisions in the year. We have re-invigorated the business considerably over the last few years, with a new executive team, a strengthened Board, committed long-term investors, an excellent team of colleagues, and a clear purpose to help us move forwards. Our Independent Challenge Group, consisting of representatives with experience representing household customers, holds us to account on how we are performing against our performance commitments, all of which can be read on pages 08 to 11.

## How the company has set its aspirations and performed for all those it serves

We reflect our ambition in our purpose "to provide high-quality drinking water for our customers and take care of the environment, for our communities now and in the future". This year for instance, the company published its draft Water Resources Management Plan setting out four ambition statements that will help us deliver our purpose, focused on the environment, resilience, customers and communities. The statement was co-created with our communities, engagement with our local customers and listening to key stakeholders and colleagues to ensure we have shared outcomes and common purposes. The Board and senior leadership team were heavily involved throughout the year.

As a Board, we are responsible for fostering the right culture, and we work with senior leadership to reinforce the right behaviours to allow all members of our workforce to bring their true selves to work, to enable them to reach their full potential and deliver on our purpose. By committing to inclusivity, we ensure that our company and its values best reflect the communities we serve and allow us to strive to be world class in what we do. For more details on our purpose and culture, see page 14 of our Annual Report and Financial Statements 2022/23.

Our shareholders are highly regarded and have experience of long-term asset ownership. They support our plans to invest and enhance our infrastructure to ensure future resilience, as demonstrated by their agreement to forego dividends in recent years. Details of our finances can be read on page 70 of our Annual Report and Financial

Statements 2022/23, including our investment plans and funding of these programmes. Our Board's dividend and executive remuneration policies ensure that dividends and executive remuneration are proportionate with the company's performance, and do not impair its financeability. Our dividend policy states that dividends paid by the appointed business must take into account our performance against the final determination for AMP7 for the following areas: financial performance, operational performance, customer and community performance, and safety and health performance.

Our salary and benefit pay policy for executives is based on market benchmarks. Executive annual bonuses are linked to delivery in the year of financial, operational, customer and community, and health and safety measures, which are linked to our AMP7 commitments where applicable and detailed in our Remuneration Report on pages 180 to 201 of our Annual Report and Financial Statements 2022/23. The Board is reassured that the pay structure incentivises executives to deliver long-term sustainable performance for customers and communities, employees and shareholders.

This Regulatory Annual Performance Report includes full and transparent disclosure of our performance in the year and the Board is confident that the plans put in place ensure a stable future for our company.

On behalf of the Board:

**Ian Tyler**  
Company Chair

# Board statement on the completeness and accuracy of information



**Ian Tyler**  
Company Chair

We are open with our customers and stakeholders and regularly publish information on our performance to demonstrate how we are delivering the services expected of us. It is important to us that stakeholders trust our service and have confidence in the information we publish.

## During the year, on behalf of the Board, our Audit, Risk and Assurance Committee has:

- Received, reviewed and challenged reports from assurance providers, including our external Auditor, in respect of key reports and publications including our Annual Report and Financial Statements and our Annual Performance Report;
- Received, reviewed and challenged reports from the Head of Audit, Risk and Compliance on the effectiveness of the company's systems of internal control and risk management systems;
- Overseen management's delivery of improvements and risk mitigations that address weaknesses and strengthen the accuracy and completeness of information; and
- Received, reviewed and challenged individual internal audit reports, in particular regarding risks to the provision of accurate and complete data and information and how those risks are being mitigated.

Our Assurance Plan [affinitywater.co.uk/corporate/about/governance-assurance](https://www.affinitywater.co.uk/corporate/about/governance-assurance) sets out the main assurance activities that we either carry out ourselves or engage third-party providers to carry out independently.

It describes the main categories of information which we report and the main assurance controls we have in place for each category. By delivering against our plan, we ensure that the information we report to customers, stakeholders and regulators is accurate, transparent, reliable, relevant, complete and up to date. We consider it essential to demonstrate that we report information on our performance that meets these criteria as part of our commitment to demonstrate that we take ownership of the information we report.

The Chair of the Audit, Risk and Assurance Committee reported to the Board in respect of the outcomes of the above.

The activities referred to above and detailed in full in our Assurance Plan lead the Board to conclude that all data and information which the company has provided to Ofwat during 2022/23 and which we have published in our Annual Report and Financial Statements and Annual Performance Report in our role as water undertaker was accurate and complete with no material exceptions to report.

On behalf of the Board

**Ian Tyler**  
Company Chair

12 July 2023

# Certificates of compliance

To: Water Services Regulation Authority  
Centre City Tower  
7 Hill Street  
Birmingham B5 4UA

## Ring-Fencing Certificate

This is to certify that on 12 July 2023 the Board of Affinity Water Limited ('the Appointee') resolved that in its opinion, in accordance with the company's Condition P licence requirements:

- 1) the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and
- 2) the Appointee will, for at least the next 12 months, have available to it
  - a. sufficient management resources and systems of planning and internal control; and
  - b. rights and resources other than financial resources

which are sufficient to enable it to carry out the Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and

- 3) all contracts entered into with any Associated Company include all necessary provisions and requirements in respect of the standard of service to be supplied to the Appointee, to ensure that it is able to carry out the Regulated Activities.

In giving this certificate the Board has considered many factors, which fully incorporate the 28 factors listed by Ofwat in Information Notice IN20/01. The Board, through its Audit, Risk and Assurance Committee, has reviewed and challenged management on the factors below. Each individual Executive Management Team ('EMT') member has provided evidence to the Board that they have considered each of the factors in the list below. The Board is satisfied that a robust process has been followed.

The list of factors includes, but is not limited to, the following:

### Financial resources and facilities:

#### Financial details, e.g. cash position, financial headroom, refinancing undertaken/ planned

The company had cash at the year-end, in the form of bank accounts and bank deposits, of £145.5 million.

The company has a £250.0 million loan from its subsidiary, Affinity Water Finance [2004] PLC, which represents the proceeds of a bond. The bond has an interest rate of 5.875% and matures in July 2026. The company has loans totalling £880.0 million from its subsidiary, Affinity Water Finance PLC, which represent the proceeds from eight bonds, five of which are index linked. The earliest maturity of the bonds is July 2026.

The last time the company raised long-term debt in the public markets was October 2021 through a bond issuance of £130.0 million index-linked (CPI) bond, which is due to mature in 2038, the company's first issued green bond.

At the end of August 2018, the company transacted a £135.0 million RPI-linked inflation swap aligned with the terms of the Affinity Water Finance [2004] PLC £250m bond, which matures in July 2026. The transaction strengthened the company's cash flows, and a further RPI-linked inflation swap with a nominal value of £75.0 million, also linked to this bond, was entered into in October 2020.

A CPI-linked inflation swap with a nominal value of £25.0 million, linked to the maturity of the Class A fixed rate £250.0 million bond (March 2036), was entered into March 2020, with a further £225.0 million issued between April and June 2020 (nominal value).

The company continues to closely monitor the bond markets and credit rating and, in discussion with its banks and advisors, believes that significant demand remains and should the Board decide to raise further money in the bond markets this should be achievable.

### Performance against final determinations (FDs) set at the last price review

The company's cash flow budget for 2023/24 indicates a net cash outflow position of £19.0 million pre tax and debt service (and before dividends); the budget is supported by long-term plans and performance against the final determination set at the most recent price review, for both operating and investment expenditure. Each EMT member is fully involved in the budget-setting process.

### Credit-related factors e.g. credit facilities, ratings, compliance with covenants etc.

The company has committed revolving loan facilities available to draw totalling £100.0 million. These facilities are to meet day-to-day expenditure of the company and consist of a £60.0 million facility from Barclays Bank PLC and a £40.0 million facility from Lloyds Bank PLC. As at 31 March 2023 these facilities were completely undrawn. The facilities are intended for the purpose of financing capital expenditure and working capital requirements to the extent that additional funding is required and have maturity dates of July 2026 and July 2025, respectively. These facilities were renewed on 24 June 2020 and use SONIA as the reference rate and have sustainability performance measures included.

The Affinity Water bond programme has in place two reserve facilities, renewable on an annual basis. These are required when gearing of net debt to RCV exceeds 67.5%.

- The first facility is a committed £27.0 million debt service reserve liquidity facility from National Australia Bank Limited to meet the company's Debt Service Reserve requirements. This needs to cover the finance costs for all of its Class A and Class B debt for the next 12 months. This requirement is on a continuous rolling basis;

- The second liquidity facility is a committed £25.0 million O&M Reserve Facility from National Australia Bank Limited to meet the company's Operating and Maintenance Expenditure Reserve requirements. This needs to cover 10% of its projected operating expenditure and capital maintenance expenditure, as set out for the next 12 months. This requirement is on a continuous rolling basis.

The company's internal policy is to target 80% debt to RCV [Senior RAR was 73.4% and Class A RAR 64.4% as at 31 March 2023] with a senior trigger level of 90.0% and a Class A trigger level of 75.0%. Therefore the capacity to raise debt to the trigger level is 10.6% of RCV, i.e. £181.7 million, before causing a trigger event under the covenant package [however, a restricted payment condition in respect of dividends would come into effect at 85.0% at a senior debt level and 75.0% at Class A]. In the event that the company defaulted on its covenant conditions and moved into standstill period, the £52.0 million of liquidity facilities would be available for drawdown to fund debt service and operating expenditure.

### Business plans, long-term viability statements, etc.

The results of the stress-testing performed in relation to the company's viability statement for the year ended 31 March 2023 [refer to page 122 of the company's Annual Report and Financial Statements 2022/23], which is subject to external assurance and includes the impacts of the current cost of living crisis and the high levels of inflation [refer to our Board statement on the completeness and accuracy of information on page 26 for details on controls and the levels of assurance obtained during 2022/23].

### Financial resources and facilities – conclusion

The Board concludes that the budget for the forthcoming year adequately supports our commitments set in the final determination and provides sufficient resources to meet our operating and investment expenditure needs for at least the next 12 months. The company has sufficient financing arrangements available to it to meet these commitments, taking into account the impact of any potential principal risks and uncertainties and the results of stress-testing performed on the base case forecasts and budgets. Therefore, the Board concludes the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities.

## Management resources:

### Management skills, experience and relevant qualifications

The company is managed operationally day to day by the Executive Management Team ('EMT'). Individual Executive Management Team members are responsible for leading their directorates and ensuring their areas of the business are being run effectively and efficiently.

The Board is satisfied that the members of the EMT have the appropriate mix of skills, experience and relevant qualifications to continue to run the company effectively for the next 12 months.

2022/23 showed the ability of the Executive and Senior Management Teams to focus their teams on delivering on a number of complex and high profile projects without detriment to other services provided to its customers.

A Board effectiveness review was carried out during the year which reviewed the balance of skills and experience of the Board and concluded that the Board operated effectively.

### Recruitment process, staff engagement

The company has a fair and robust recruitment policy, which was enhanced in the previous year to launch a new careers website celebrating our people and equality, diversity and inclusion ('EDI') commitments. The EDI Committee supported the talent acquisition team to develop and roll out new interview training with a firm focus on EDI awareness and unconscious bias. The company has a dedicated recruitment team that uses direct resourcing methods and works with recruitment suppliers to ensure good quality candidates are sourced.

The Board engages with employees in a number of different ways, detailed within our Section 172(1) statement on page 100, led through our Director of Employee Engagement. The Board considered the results of our Culture Survey and regular pulse surveys.

### Succession planning for key management/staff

The Board confirmed that each EMT member is familiar with the key members of its Senior Management Team and wider team, acknowledging any recent changes and their management skills, experience and relevant qualifications. All significant roles are filled. Specific detailed 'deep dive' sessions are regularly held with the Board on strategic operational and regulatory items.

The Board noted the review of succession planning being performed by each EMT member along with the company's HR Team, as well as the recruitment process, staff engagement and diversity, the quality of training and development programmes, and the company's purpose and principles.

### Quality of management/staff induction and other training and development

The Board reviewed the Talent Development Brief covering the period, focusing on a Career Path Framework model for talent, identification of critical roles and succession planning, leadership assessment and development and Strategic Workforce Planning collaborative work with EU skills.

# Certificates of compliance continued

## Process for ensuring diversity of perspectives

The Board received presentations from members of the Equality, Diversity, and Inclusion Committee understanding the work the committee has undertaken in the year. The Board reviewed and approved the Equality, Diversity and Inclusion policy, a policy that strives to promote equal opportunity to everyone, creating an open and inclusive workforce where people feel valued.

## Board or management activities, reports or statements

Both the Board and the EMT meet regularly to consider and decide upon a range of operational, financial, regulatory and strategic matters impacting the company and receive a range of management information. Further information on the operation of the Board can be found in the Section 172(1) statement on pages 100 to 107 and in the Corporate Governance Report on pages 130 to 215 of our Annual Report and Financial Statements for the year ended 31 March 2023.

The company has sufficient management resources available to carry out regulated planning activities required beyond the next 12 months, in particular the Price Review and statutory long-term planning frameworks such as WRMP and Drought Plans.

## Independence of Board

The balance of independent and non-independent directors ensures that shareholder views are represented on the Board with the Board as a whole acting independently in the interests of all stakeholders and the company in accordance with our Instrument of Appointment, with no one individual or group of individuals dominating the Board's decision making.

The Board and its Committees have the resources available to them and have sufficient independent membership to ensure they can make high-quality decisions that address diverse customer and stakeholder needs.

## Management resources – conclusion

The Board concludes that directors have sufficient time to engage with the company and to discharge their responsibilities effectively. The Board concludes that there is an appropriate mix of skills and experience on the Board and the individual Committees, including sufficient independent membership on Committees for the individual directors to constructively challenge and appropriate division of responsibilities, see the skills matrix in the Corporate Governance Statement on page 138 of our Annual Report and Financial Statements for the year ended 31 March 2023. The Board concludes that there are appropriate steps in place to ensure good succession planning that allows for orderly succession to both the Board and senior management positions, ensuring there is a diverse pipeline for succession that reflects the communities that we serve.

## Systems of planning and internal control:

### Governance procedures; risk management frameworks, oversight procedures

The company is committed to high standards of corporate governance and transparency, believing these to be essential in delivering the long-term success of our business. The Board governs the company in accordance with the Affinity Water Corporate Governance Code ('AW Code'). This incorporates the Ofwat Board Leadership, Transparency and Governance Principles 2019 ('BLTG Principles') in their entirety, and those parts of the UK Corporate Governance Code 2018 that are deemed relevant to its business.

For more details on the company's governance procedures, see the Corporate Governance Report on pages 130 to 215 of our Annual Report and Financial Statements for the year ended 31 March 2023.

The company has an established framework for identifying, evaluating and managing its key risks. The main aim is to foster a culture where teams throughout the business manage risks as part of their management of day-to-day operations. The EMT also carries out regular assessments of emerging risks, including horizon scanning and monitoring of early warning indicators. See details of the principal risks and the company approach to risk on pages 108 to 120 of our Strategic Report.

### Internal and/or external audit policies, processes, activities and/or reports

The company has a comprehensive suite of internal control procedures across both operational and financial matters to ensure maintenance of supply, supported by governance procedures, risk management frameworks, segregation of duties matrices and detailed delegated levels of authority, as well as policies to prevent fraud and other unethical behaviour (including but not limited to the company's whistleblowing policy).

The company has an Internal Audit team reporting to the Audit, Risk and Assurance Committee, and the availability of specialist planning teams who are deployed to major projects and utilise the resources of acknowledged external specialists in such matters.

The company's output is subject to considerable external assurance, both financial and operational [refer to our Board statement on the completeness and accuracy of information on page 26 for details on controls and the levels of assurance obtained during 2022/23].

### Systems for maintaining supply/business continuity, stated action plans

An effective business continuity programme, overseen by the SHEDWQ Committee supports the strategic objectives of the company and pro-actively builds the capability to continue business operations in the event of disruption.

Each EMT member's directorate has enhanced existing resilience in a number of operational areas and reports regularly to the EMT and Board, not least with regards to the company's control room and water treatment sites, as well as the strength of its emergency response teams. Specifically with regard to Covid-19, an Incidence Response Team was set up in March 2020, and has continued throughout 2022/23, with the primary focus of maintaining the quality and supply of water for the company's customers and implementing business continuity plans.

See pages 130 to 215 of the Corporate Governance Report in our Annual Report and Financial Statements for the year ended 31 March 2023.

### **Policies to prevent fraud and other unethical behaviour; whistleblowing policy**

The company's policies to prevent fraud and unethical behaviour include the Affinity Water Code of Ethics, approved by the Board in March 2023. The Code includes the company policies on taking care of ourselves and each other (for example Health, Safety and Wellbeing, Human Rights, Modern Slavery policies), taking care of our integrity (for example Anti-Bribery and Corruption, Competition Law, Legal Requirements policies), taking care of our business (for example Data Protection, Corporate Governance, Accuracy of Financial Reporting and Fraud policies), and taking care of the environment and the communities we serve (for example Sustainability and Finding Support policies).

### **Risk, compliance and other assurance statements**

See the Statement of Risk and Compliance in this report on pages 33 to 34 for details on the company approach to risk and compliance.

### **Systems of planning and internal control – conclusion**

The Board concludes that the internal control procedures are working effectively and that the Internal Audit team has the appropriate skills and qualifications it requires to monitor and improve controls across the company. The Board concludes that the work of the Audit, Risk and Assurance Committee (detailed on pages 156 to 163 of our Annual Report and Financial Statements 2022/23) overseeing the systems of planning and internal control is sufficient.

### **Rights and resources other than financial resources:**

#### **Corporate missions and/or values**

The Board has considered the company vision and principles, which are the values of the company that underpin how it delivers its underlying purpose and encourages an integrated approach to working.

### **Technology and other systems for ensuring checks and balances**

The Board has considered the technology and other systems available to the company. We supply high-quality drinking water by using the latest technology and sophisticated monitoring systems at our treatment works. We have developed our 'digital twin' for the company, taking in real world data to help us to find and fix leaks faster than ever before. We have also rolled out new digital systems for our operational teams to deliver planned maintenance work efficiently and effectively, helping to improve the customer experience.

We hold international (ISO) certification for our business management system covering quality management (ISO 9001), environmental management (ISO 14001) and health and safety management.

### **Policies to encourage an integrated approach and 'systems thinking'**

The new SkillStation platform was launched in April 2022, streamlining training and skills, and giving greater visibility and assurance in the allocation of workplace activities, ensuring the safety, health and wellbeing of our people.

### **Planning systems**

The company has specialist planning teams who are deployed to major projects and constantly utilises the resources of acknowledged external specialists in such matters as required.

### **Assets maintenance/insurance factors**

The Board has considered the assets available to the company, including ensuring that it has effective operational systems, and resourcing plans and schedules in the operational business, that enable a continued supply of water, the maintenance and insurance of these systems, and sufficient physical resources through our abstraction licences and water levels.

The company operates under a licence granted by Ofwat subject to a 25-year termination notice, which is currently not expected to be at risk of being lost or removed.

### **Rights and resources other than financial resources – conclusion**

The Board concludes that the company principles and clearly defined purpose drive the company and concludes that this and the assets available are sufficient to enable it to carry out the Regulated Activities.

### **Contracting:**

#### **Position/status of key contracts in place**

The work of the Contracts Committee, attended by the CFO, which operates to review and award significant contracts with suppliers. Adequate contractual arrangements are considered to be in place with regard to third-party suppliers and other water companies.

# Certificates of compliance continued

All contracts between the Appointee and all Associated Companies were checked for compliance with licence requirements on standards; and a Note on transactions between the Appointee and any Associated Company; Compliance with licence provision on cross-subsidies between the Appointee and any Associated Company [Condition I].

Any transactions with Associated Companies are disclosed in the Non-audited additional regulatory information section of the company's regulatory Annual Performance Report for the year ended 31 March 2023 [refer to page 107], which is subject to external assurance under Regulatory Accounting Guideline 5.07; Guideline for transfer pricing in the water and sewerage sectors [refer to our Board statement on the completeness and accuracy of information on page 26 for details on controls and the levels of assurance obtained during 2022/23]. These contracts were checked for compliance with licence requirements and confirmed as so in the Certificate of Compliance on page 27 of this Regulatory Annual Performance Report.

In giving this certificate the main factors which the directors have taken into account in relation to contracts entered into with any Associated Company are:

- an examination of the contracts with Associated Companies;
- considerations made by the company's Market Oversight Committee; and
- the limited contractual arrangements with Associated Companies.

## No Guarantees or Cross-Default Obligations given without Ofwat's written consent

The Board notes that each EMT member has confirmed that they are not aware of any guarantees or cross-default obligations given without Ofwat's written consent.

This certificate was approved unanimously at the Board meeting on 12 July 2023 by

### Ian Tyler

Chair

### Trevor Didcock

Independent Non-Executive

### Michael Osbourne

Non-Executive

### Keith Haslett

Executive Director, CEO

### Chris Newsome

Independent Non-Executive

### Roxana Tataru

Non-Executive

### Martin Roughead

Executive Director, CFO

### Justin Read

Independent Non-Executive

### Adam Waddington

Non-Executive

Signed on behalf of the Board members listed above,

### Ian Tyler

Chair

## Contracting – conclusion

The Board concludes that the position and status of key contracts in place contain all necessary provisions and requirements in respect of the standard of service to be supplied to the Appointee, to ensure that it is able to carry out its Regulated Activities and it is compliant with cross-subsidy obligations.

## Material issues or circumstances:

The Board are not aware of any other material issues or other circumstances that would impact the company's ability to carry out its regulatory activities for the next year.

In this certificate, the terms 'Appointment', 'Associated Company' and 'Regulated Activities' have the meanings given in the Appointee's Instrument of Appointment, also referred to as the company's licence.

The Board obtained third-party assurance from PwC, whose responsibility was to consider whether they were aware of any inconsistencies between this Ring-Fencing Certificate and the financial statements or any information obtained in the course of their work; see pages 35 to 37 for PwC's audit report on the Annual Performance Report. A full report of the external Auditor's work on the ring-fencing certificate has been provided to Ofwat with no issues noted.

The Board confirms that it will inform Ofwat in writing if it becomes aware of any circumstances which would change the opinion such that it would not give the opinion contained in this certificate.



## Compliance with Condition P, paragraph P14

Paragraph P14 of Condition P of the company's licence requires the company to ensure at all times, so far as reasonably practicable, that, if at any time, a special administration order were made in relation to it, it has available to it sufficient rights and resources (other than financial resources) so that a special administrator would be able to manage the affairs, business and property of the appointed business of the company in accordance with the purposes of the special administration order.

The company hereby certifies that at 31 March 2023 it was in compliance with paragraph P14 of Condition P.

## Statement of disclosure of transactions with Associated Companies

With respect to the disclosure of transactions with Associated Companies, the directors declare that to the best of their knowledge:

- all appropriate transactions with Associated Companies have been disclosed;
- transactions with Associated Companies are at arm's length (except where agreed with Ofwat) with no cross-subsidy occurring; and
- no directors have acted as both purchaser and supplier in any transaction with an Associate Company.

## Statement of directors' responsibilities

In addition to their responsibilities to prepare financial statements in accordance with the Companies Act 2006, Condition F of the Instrument of Appointment requires the company to prepare a set of regulatory accounting statements records which are in accordance with the Regulatory Accounting Guidelines ('RAGs') published by Ofwat under Condition F.

In the case of each of the persons who are directors of the company at the date when this report was approved, so far as each of the directors is aware there is no relevant audit information of which the company's Auditor is unaware; and each of the directors has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information and to establish that the company's Auditor is aware of that information.

Relevant audit information means information needed by the company's Auditor in connection with preparing its report. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

# Statement of risk and compliance

## Purpose of this statement

The purpose of this statement is:

- to confirm that we have a full understanding of, and are meeting, our relevant statutory, licence and regulatory obligations;
- to confirm that we have taken steps to understand and meet customer expectations;
- to confirm that the company is taking appropriate steps to manage or mitigate the material risks it faces; and
- to explain any significant matters relevant to the company's performance in 2022/23, as presented in section 3 of the regulatory Annual Performance Report.

The statement explains the company's approach to regulatory compliance and assurance and sets out its statement of compliance. It should be read alongside the company's Annual Report and Financial Statements for the year ended 31 March 2023, which includes a summary of the company's operational performance for 2022/23 from page 62 of our Annual Report and Financial Statements 2022/23 and sets out how the company manages risk and uncertainty from page 108 of our Annual Report and Financial Statements 2022/23.

## Regulatory compliance and assurance

The company's approach to achieving and assuring compliance with its licence and regulatory obligations is based on a sound system of internal controls and governance. To inform themselves about the company's compliance, the company's Board and Audit, Risk and Assurance Committee members carried out a range of activities throughout 2022/23 to satisfy themselves as to the proper functioning of those systems. The company's Director of Regulation and Strategy is responsible for monitoring regulatory compliance and is supported in discharging this responsibility by employees in the Regulation, Assurance, Legal and Internal Audit teams.

The company continues to employ external assurance partners to scrutinise, challenge and give independent advice on the procedures the company uses to collect and report the information underpinning this compliance statement. The assurance partners have highlighted that the company has full understanding of and has sufficient processes and internal systems of controls to meet reporting obligations. The assurance partners also highlighted that the majority of reporting processes continue to demonstrate either consistent good practice or improvements from previous years, and in the few cases where areas of inadequacy in reporting procedures were noted in previous years, these have now been addressed, or have improvement plans in place and clear written procedures are in place for all the 2020–2025 Performance Commitments.

The Reporter's report is available on the company's website: [affinitywater.co.uk/reports-publications](https://affinitywater.co.uk/reports-publications).

## Understanding and meeting customers' expectations

The company supplies a diverse customer base with a range of expectations for service. It undertakes appropriate activities to inform itself about customers' expectations including customer research, consultation with consumer representatives and proactive communication with customers to seek feedback. It aims to provide services that it judges will best fulfil those expectations, remaining mindful of the need to balance customers' expectations with those of its other stakeholders, its environmental protection objectives and considering customers' acceptability and ability to pay water bills.

## Regulatory outputs

The Board has reviewed the performance of the company against its regulatory outputs set at the final determination 2019. This regulatory Annual Performance Report identifies differences between the outputs that the company has delivered in 2022/23 and those that were assumed in its final determination 2019.

## Compliance statement

As a Board, we confirm that:

- we have a full understanding of, and are meeting, our relevant material statutory, licence and regulatory obligations;
- we have taken steps to understand and meet customers' expectations;
- we are satisfied that we have sufficient processes and internal systems of control to meet our obligations; and
- we have appropriate systems and processes in place to allow us to identify, manage, mitigate and review our material risks.

On behalf of the Board

**Keith Haslett**  
CEO

**Justin Read**  
Independent Non-Executive Director

## Exceptions

The following exceptions to achieving our obligations have been shared with Ofwat:

Duty/ Obligation	Disclosure	Actions being taken to improve
<b>Performance Commitments</b>	<ul style="list-style-type: none"> <li>For 2022/23, out of our 28 performance commitments, we have not met the following targets:</li> <li>Water quality compliance (CRI)</li> <li>Water supply interruptions</li> <li>Per capita consumption</li> <li>Mains repairs</li> <li>Properties at risk of receiving low pressure</li> <li>Unplanned interruptions to supply &gt;12 hours</li> <li>Risk of severe restrictions in drought</li> <li>Value for Money Survey</li> </ul>	<p>Details of our performance and the actions we are taking are detailed in section 3 of our Annual Performance Report and the non-financial line commentary file accompanying the APR.</p>
<b>Leakage and Per Capita Consumption reporting</b>	<p>For 2022/23, we have not achieved full compliance with the Leakage and Per Capita Consumption component checklist. Details of our reporting can be found in the Non-financial line commentary file under 3A.3 &amp; 4.</p>	<p>The component checklist under 3A.3 &amp; 4 of the non-financial line commentary file provides a breakdown of improvements, representativeness and work in progress to comply with the individual components.</p>



# Affinity Water

Affinity Water Limited

Tamblin Way  
Hatfield  
Hertfordshire AL10 9EZ

Tel: 0345 878 0900

[affinitywater.co.uk](http://affinitywater.co.uk)